

## Virginia Department of Social Services

### TITLE IV-E MATRIX UNDERSTANDING AND CLAIMING IV-E FOSTER CARE ADMINISTRATIVE COSTS March 1, 2004

#### ➤ Federal Explanations related to TITLE IV-E Foster Care Allowable Administrative Costs

- Allowable IV-E administrative expenditures include the reasonable costs of administration and operation in an eligible institution: Section 475 (4) also permits payment on behalf of eligible children in institutions to include "the reasonable costs of administration and operation of such institution as are necessarily required to provide the items [described in the same paragraph]." Factors related to the allowability of costs therefore include:

(a) The institution must meet the definition of a "child-care institution" in section 472 (c)(2) of the Act.

(...the code of federal regulations (1355.20) defines a child care institution as "...a private child care institution, or a public child care institution which accommodates no more than twenty-five children, and is licensed by the State in which it is situated or has been approved by the agency of such State..."

(b) The costs of administration and operation must be "necessarily required to provide the items described in [paragraph 475 (4)]." Thus, the proportional cost of a bookkeeper, food workers, and supervisor of cottage parents for the institution would be allowable. The costs of providing counseling or diagnosis of illness by a social worker or nurse or costs of the staff of a parent agency not employed by the institution would not be allowable.

(c) The costs must be "reasonable", that is, no more than the customary costs for performing similar functions in similar institutions, e.g., in size, and type of children, such as handicapped children.

(d) The costs must be allocated for title IV-E children on whose behalf payments are made.

(e) The costs must be allowable under 45 CFR Part 74.

Given these factors, the issue of cost allocation is important. Various cost allocation methods, e.g., random moment studies or actual counts, may be used by institutions in developing their cost allocation plans. The State agency must approve the plan as a part of its approval of rates.

- Source/Date: ACYF-CB-PA-82-01 (4/30/82)
- Legal and Related References: Social Security Act - sections 472, 474 and 475 (4)

Administrative costs identified in 45 CFR 1356.60 (c)(2) that are not directly linked to the eligibility of children must be allocated in such a manner as to assure that each participating

program is charged its proportionate share of costs. Such allocation may be on the basis of case count or on some other equitable basis.

Several sources used by State and Local governments to guide them with administrative costs include the Federal Office of Management and Budget Circulars A-87 (for state and local governmental entities and A-122 (for nonprofit and for-profit corporate entities).